



KINGSROSE
MINING LIMITED

**HALF YEAR FINANCIAL REPORT
31 DECEMBER 2015**

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CORPORATE DIRECTORY

Directors

John Morris	Chairman
J. William Phillips	Non Executive Director
Andrew Spinks	Non Executive Director

Company Secretary

Joanna Kiernan

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 Pondok Pinang, Kebayoran Lama
 Jakarta Selatan 12310 Indonesia

Auditors

Ernst & Young
 11 Mounts Bay Road
 Perth WA 6000

Share Registry

Link Market Services Limited
 Level 4
 152 St Georges Terrace
 Perth WA 6000

T: 1300 554 474

Stock Exchange Listing

Australian Securities Exchange
 (Code: KRM)

Australian Business Number

49 112 389 910

DIRECTORS' REPORT

The Directors present their report for the half year ended 31 December 2015.

DIRECTORS

The names of the Company's directors in office during the half year and until the date of this report are set out below.

John Morris	Chairman
Scott Huffadine	Managing Director (resigned 15 January 2016)
J. William Phillips	Non-Executive Director
Andrew Spinks	Non-Executive Director

Directors were in office for the entire period unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the reporting period were:

- Production of gold and silver from the Talang Santo Mine at the Way Linggo Project; and
- Exploration and evaluation of gold and silver deposits at the Way Linggo Project.

OPERATING REVIEW

Kingsrore Mining Limited owns 85% of the Way Linggo Project in South Sumatra, Indonesia. The Project is held under a 4th generation Contract of Work ("CoW") with the Indonesian Government and is located on the mineral rich Trans-Sumatran Fault, part of the Pacific Rim of Fire.

During the six months to 31 December 2015, the Group produced a total of 10,222 ounces of gold at 9.5 g/t and 24,089 ounces of silver at 24 g/t.

A total of 8,712 ounces of gold was sold at an average gold price of A\$1,536/oz and A\$13.4 million in revenue was realised.

The cash costs of production for the period were US\$763/oz and the all-in sustaining costs of production were US\$1,205/oz.

MINE OPERATIONS REVIEW

	Unit	31 December 2015	31 December 2014
		Six Months	Six Months
Mine Production			
Ore Hoisted	t	34,503	36,365
Mine Grade (Gold)	g/t	9.7	8.6
Mine Grade (Silver)	g/t	25	29
Ore Processed			
Tonnes Milled	t	34,863	47,025
Head Grade (Gold)	g/t	9.5	8.2
Head Grade (Silver)	g/t	24	28
Recovery (Gold)	%	95.7	96.8
Recovery (Silver)	%	88.1	91.0
Ounces Produced (Gold)	oz	10,222	12,055
Ounces Produced (Silver)	oz	24,089	38,007
Costs of Production			
Cash Operating Costs (C1)	US\$/oz	763	714
All-In Sustaining Costs of Production (AISC)	US\$/oz	1,205	1,092

Occupational Health and Safety

There were no Lost Time Injuries (“LTIs”) for the period. The 12 month moving average Lost Time Frequency Rate (“LTIFR”) stood at 2.08 as at 31 December 2015.

The Way Linggo Project was awarded a Bronze safety award by the Indonesian Mines Department for overall safety performance ranked against 68 other operations.

The Group is committed to conducting its operations to the highest safety standards. A dedicated on-site team of Senior Management, Health and Safety Officers are tasked with overseeing the creation of a safe and responsible working environment, identifying and mitigating any potential health and safety risks and ensuring that regular health and safety training is provided to all employees.

Environmental Management

The Group continues to conduct its operations in a manner that minimises the environmental footprint of the Project area and in accordance with its obligations under the CoW Environmental license (AMDAL), prevailing local laws and environmental regulations.

In compliance with this, regular and comprehensive environmental impact assessments are conducted which form part of the Group’s Environmental Management and Monitoring Plan. This Plan aims to identify, assess and minimise environmental risk at all stages of its operations as a fundamental part of the long-term environmental strategy.

The Company is not aware of any material breach of environmental legislation while conducting their operations in Indonesia during the reporting period.

Community Engagement

The Group is committed to engaging and co-operating with the communities surrounding the Way Linggo Project and the wider Lampung province, and provides on-going support to various health, educational, cultural and economic initiatives. During the period, donations of food and medical supplies continued to be provided to local child care centres and charity groups and support was provided for various infrastructure projects, including the installation of the foundations and supply of tanks for fresh water for the Talang Toha-Santo community.

The Group’s on-site workforce continued to be predominately comprised of local personnel with approximately 70% of employees coming from the nearby Lampung Province.

The Talang Santo Mine

Production for the half year was sourced predominantly from the 4 Level of the Talang Santo Mine, with total mine production of 34,503 tonnes at an average grade of 9.7 g/t Au.

During the period water continued to present a challenge to mining productivity and a dewatering plan was implemented in October to minimise the impact of water on production horizons. This included the commissioning of a 200kw multi-stage pump on the 4 Level which resulted in an immediate lift in production from the mine in November and December, which translated to record ore production from the Talang Santo Mine for the December quarter. With the success of the trial multistage pumping unit, additional units were ordered to provide multiple levels of redundancy in the 4 Level dewatering system. It is anticipated the new units will be commissioned during March 2016.

Despite water inflows remaining high, significant advance was made during the period on sublevel development and setting up stope production on the 4 Level. This, in conjunction with improvements in ground conditions over what was encountered in the upper levels, saw the operation transition to the more conventional and ultimately more productive mining method with the establishment of Shrink and Gallery stopes in the Hanging Wall and Splay veins.

The on-site management team was bolstered during the period with the appointment of Mr Paul Androvic as General Manager of the Way Linggo Project. Mr Androvic is a geologist with over 20 years' experience in project development, exploration management and mine geology across underground and open pit operations within Australia and overseas.

Capital Mine Development

The development of the external shaft to the 5 Level is a significant step in the evolution of the Talang Santo Mine. Along with providing additional hoisting capacity, the 5 Level shaft will provide direct access to the high grade areas of the orebody. In addition, the shaft will allow for the evaluation of lodes to the west of the current mining areas at the Central and North West Mawi veins, which remain open along strike and at depth.

Excellent progress was initially made on the external shaft during the period with 53m of advance being completed, taking the total development advance to 145m. However, development was suspended during the period due to the intersection of a significant water bearing fault structure. A grouting program has been designed to seal and minimise the water ingress to both the Splay vein and the external shaft which is anticipated to be completed in the later part of the 2016 financial year. Completion of the grouting program will facilitate the recommencement of the shaft sinking with an additional 75m of advance required to reach the 5 Level horizon.

The requisite surface infrastructure for the external shaft was also completed during the period with the installation of the head frame, winder hut, chutes and the establishment of ore pads.

Processing

The processing plant continued to run without issue during the period with 34,863 tonnes milled at an average grade of 9.5 g/t Au. Gold recovery remained high at 96% and silver recovery was 88% for the period.

The lower silver recovery was attributed to a planned trial to reduce the concentration of cyanide in the leach circuit. The trial resulted in significant cost savings in reagents and the processing plant achieved a record milling cost per tonne during the December quarter.

Talang Santo Mineral Resource

A significant upgrade of the Talang Santo Mineral Resource was reported during the period. The total Mineral Resource for the Talang Santo deposit as at 30 June 2015 was 1.4m tonnes @ 8 g/t Au and 22 g/t Ag for 360,000 ounces of gold and 1,012,000 ounces of silver.

This represented a 27% increase in contained gold with an additional 77,000 ounces of gold over the 2012 Talang Santo Mineral Resource after allowing for depletion by mining.

Exploration

The Company continues to see significant potential for organic growth supported by the early success of the current exploration program in identifying targets within the broader Project area. A review of historical geophysical surveys over the Way Linggo Mine and surrounds is ongoing and results are expected in the later part of the 2016 financial year.

Exploration activities undertaken through the reporting period included surface drilling at Talang Toha and Mitra Jaya and follow up test pitting on the soil anomalies at Talang Toha, Mitra Jaya, Sindang Jaya and Way Handa with key geological information being obtained.

It is anticipated that the review of the historical geophysical surveys and exploration data collected throughout the period will assist in further refining prospective areas within the Way Linggo Project.

FINANCIAL REVIEW

	31 December 2015 Six Months (\$)	31 December 2014 Six Months (\$)
Sales Revenue	13,804,613	14,891,349
Earnings Before Interest, Tax, Depreciation & Amortisation – EBITDA ¹	4,393,992	13,337,507
Earnings Before Interest & Tax – EBIT ²	735,707	10,649,531
Net (Loss)/Profit After Tax - NPAT	(2,206)	7,630,210
(Loss)/Earnings Per Share	(0.00)	1.83

	31 December 2015 \$	30 June 2015 \$
Total Assets	106,336,658	105,601,669
Net Assets	88,271,930	86,199,737

¹ EBITDA has been calculated by adding back interest (\$492,292), tax (\$245,621), depreciation and amortisation (\$3,658,285).

² EBIT has been calculated by adding back interest (\$492,292) and tax (\$245,621).

Note: EBITDA and EBIT are non-IFRS measures and unaudited. These measures are used in order to provide more meaningful information for the users of the Group's financial information and to allow users to assess the Group's performance relative to other companies in the industry.

Income Statement

Sales revenue for the half year ended 31 December 2015 was \$13,804,613, relating to the sale of 8,712 ounces of gold and 20,577 ounces of silver at an average price A\$1,536/oz and A\$20/oz respectively. Sales revenue was down 7% on the corresponding period in 2014, primarily driven by the impact of water on mining productivity during the September quarter.

The Group recorded a net loss after tax for the half year ended 31 December 2015 of \$2,206 (31 December 2014: net profit after tax of \$7,630,210). The decrease was primarily driven by lower net foreign exchange gain recognised during the period (31 December 2015: \$2,938,687, 31 December 2014: \$9,661,816).

Financial Position

At 31 December 2015 the Group's balance sheet strengthened with an increase in net assets of \$2,072,193 to a total of \$88,271,930. Across the period the Group's total assets also increased by \$734,989 to a total of \$106,336,658.

The Group commenced the repayment of its Debt Facilities during the period with \$1,799,080 being repaid prior to the restructuring of the payment profile in November 2015. At 31 December 2015, the total of the Group's outstanding loans stood at \$10,067,136, down from \$11,510,416 at 30 June 2015.

Group Cash Flows and Liquidity

At 31 December 2015 the Group held cash and cash equivalents of \$1,383,907 (30 June 2015: \$9,517,239) and had bullion on hand of \$4,992,415³ (30 June 2015: \$3,216,815⁴). The Group's total cash and bullion balance at 31 December 2015 was \$6,376,322 (30 June 2015; \$12,734,054).

The decrease in cash and bullion of \$6,357,732 across the period related to the repayment of borrowings (\$1,799,080), the continued investment in mine development and capital infrastructure (\$3,957,715) and production issues relating to water impacting mine productivity throughout the September quarter.

³ Bullion on hand at 31 December 2015 – 3,364oz Au and 7,291oz Ag

⁴ Bullion on hand at 30 June 2015 – 2,050oz Au and 4,539oz Ag

EVENTS AFTER REPORTING DATE

There has been no significant events that have arisen since the end of the reporting period that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of the affairs of the Group in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

Ernst and Young's independence declaration is set out on page 8 and forms part of the Directors' Report for the half year ended 31 December 2015.

Signed in accordance with a resolution of the Directors.



John Morris
Chairman
10 March 2016

Competent Person Statement

The information in this report that relates to the Talang Santo Mineral Resource was first reported by the Company in compliance with the 2012 edition of the JORC code in an ASX release dated 12 August 2015. The Company confirms that it is not aware of any new information or data that materially affects the information included in the ASX release referred to above and further confirms that all material assumptions and technical parameters underpinning the Mineral Resource contained in the ASX release dated 12 August 2015 continue to apply and have not materially changed.

Caution Regarding Forward Looking Statements and Forward Looking Information

The information contained in the Directors' Report contains forward looking statements and forward looking information, which are based on assumptions and judgements of management regarding future events and results. Such forward looking statements and forward looking information involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward looking statements. Such factors include, among others, the actual market prices of gold, the actual results of current exploration, the availability of debt and equity financing, the volatility in global financial markets, the actual results of future mining, processing and development activities, receipt of regulatory approvals as and when required and changes in project parameters as plans continue to be evaluated.

Except as required by law or regulation (including ASX Listing Rules), Kingsrose Mining Limited undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.

Auditor's independence declaration to the directors of Kingsrose Mining Limited

As lead auditor for the review of Kingsrose Mining Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Kingsrose Mining Limited and the entities it controlled during the financial period.



Ernst & Young



D S Lewsen
Partner
10 March 2016

CONSOLIDATED INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2015

		31 December 2015	31 December 2014
	Note	\$	\$
Continuing operations			
Sale of goods	4(a)	13,804,613	14,891,349
Other revenue	4(a)	175,994	108,138
Total revenue		13,980,607	14,999,487
Cost of sales	4(b)	(13,497,251)	(11,637,891)
Gross profit		483,356	3,361,596
Other income	4(c)	2,947,822	9,664,655
Administration expenses	4(d)	(2,519,477)	(2,239,159)
Other expenses	4(e)	-	(29,423)
Finance costs	4(f)	(668,286)	(630,316)
Profit before income tax		243,415	10,127,353
Income tax expense		(245,621)	(2,497,143)
Net (loss)/profit for the period		(2,206)	7,630,210
(Loss)/Profit for the period is attributable to:			
Owners of the parent		(9,182)	6,556,936
Non-controlling interests		6,976	1,073,274
		(2,206)	7,630,210
		Cents	Cents
(Loss)/Earnings per share attributable to the ordinary equity holders of the parent:			
Basic (loss)/earnings per share – cents per share		(0.00)	1.83
Diluted (loss)/earnings per share – cents per share		(0.00)	1.83

The above consolidated income statement should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED
31 DECEMBER 2015**

	31 December 2015	31 December 2014
	\$	\$
Net (loss)/profit for the period	(2,206)	7,630,210
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to profit or loss in subsequent periods</i>		
Foreign currency translations	1,332,553	664,057
Income tax effect	-	-
	1,332,553	664,057
<i>Items that may not be reclassified subsequently to profit or loss in subsequent periods</i>		
Foreign currency translations	283,123	219,719
Actuarial gains/(losses) on defined benefit obligation	119,858	(34,742)
Income tax effect	(41,950)	12,160
	361,031	197,137
Other comprehensive income for the period, net of tax	1,693,584	861,194
Total comprehensive income for the period	1,691,378	8,491,404
Total comprehensive income for the period is attributable to:		
Owners of the parent	1,389,592	7,201,798
Non-controlling interests	301,786	1,289,606
	1,691,378	8,491,404

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

		31 December 2015	30 June 2015
	Note	\$	\$
Current Assets			
Cash and cash equivalents		1,383,907	9,517,239
Trade and other receivables	7	5,188,364	1,554,570
Inventories	8	7,489,688	5,756,434
Income tax receivable		227,813	206,815
Other		548,060	217,670
Total Current Assets		14,837,832	17,252,728
Non-Current Assets			
Trade and other receivables	7	6,539,897	8,821,445
Plant and equipment		8,629,248	8,977,426
Mine properties and development		36,027,541	33,253,142
Exploration and evaluation assets		30,496,742	27,873,561
Deferred tax assets		9,805,398	9,423,367
Total Non-Current Assets		91,498,826	88,348,941
TOTAL ASSETS		106,336,658	105,601,669
Current Liabilities			
Trade and other payables		5,505,609	5,145,476
Interest-bearing liabilities	9	5,586,118	7,427,242
Provisions		305,967	309,796
Total Current Liabilities		11,397,694	12,882,514
Non-Current Liabilities			
Interest-bearing liabilities	9	4,875,250	4,821,465
Provisions		1,791,784	1,670,038
Deferred tax liabilities		-	27,915
Total Non-Current Liabilities		6,667,034	6,519,418
TOTAL LIABILITIES		18,064,728	19,401,932
NET ASSETS		88,271,930	86,199,737
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity		84,867,375	84,867,375
Reserves		7,125,100	5,411,732
Accumulated losses		(9,558,085)	(9,615,124)
		82,434,390	80,663,983
Non-controlling interests		5,837,540	5,535,754
TOTAL EQUITY		88,271,930	86,199,737

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	31 December 2015	31 December 2014
Note	\$	\$
Cash flows from operating activities		
Receipts from customers	13,804,613	14,891,349
Payment to suppliers and employees	(13,980,776)	(10,963,596)
VAT refund received	-	230,158
Interest received	6,769	44,478
Interest and other finance costs paid	(642,035)	(783,988)
Income tax paid	(225,609)	(1,001,537)
Net cash flows (used in)/from operating activities	(1,037,038)	2,416,864
Cash flows from investing activities		
Payments for plant and equipment	(123,691)	(604,168)
Proceeds from sale of plant and equipment	3,080	3,411
Payments for mine properties and development	(3,834,024)	(1,614,750)
Payments for exploration and evaluation expenditure	(986,095)	(880,553)
Net cash flows used in investing activities	(4,940,730)	(3,096,060)
Cash flows from financing activities		
Repayment of hire purchases	(381,197)	(354,844)
Repayment of borrowings	(1,799,080)	-
Loan to key management personnel/non-controlling interests	-	(2,403,846)
Equity contribution from key management personnel/non-controlling interests to the share capital of subsidiary	-	2,403,846
Net cash flows used in financing activities	(2,180,277)	(354,844)
Net decrease in cash and cash equivalents	(8,158,045)	(1,034,040)
Cash and cash equivalents at beginning of the period	9,517,239	6,661,056
Effects of exchange rate changes on cash and cash equivalents held	24,713	453,286
Cash and cash equivalents at end of the period	1,383,907	6,080,302

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Issued Capital	Share- Based Payments Reserve	General Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Owners of the Parent	Non- Controlling Interests	Total
	\$	\$	\$	\$	\$	\$	\$	\$
At 1 July 2015	84,867,375	7,656,308	83,407	(2,327,983)	(9,615,124)	80,663,983	5,535,754	86,199,737
Net (loss)/profit for the period	-	-	-	-	(9,182)	(9,182)	6,976	(2,206)
Other comprehensive income for the period	-	-	-	1,332,553	66,221	1,398,774	294,810	1,693,584
Total comprehensive income for the period	-	-	-	1,332,553	57,039	1,389,592	301,786	1,691,378
Transactions with owners in their capacity as owners:								
Share-based payments	-	380,815	-	-	-	380,815	-	380,815
At 31 December 2015	84,867,375	8,037,123	83,407	(995,430)	(9,558,085)	82,434,390	5,837,540	88,271,930

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Issued Capital	Share- Based Payments Reserve	General Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Owners of the Parent	Non- Controlling Interests	Total
	\$	\$	\$	\$	\$	\$	\$	\$
At 1 July 2014	84,867,375	7,616,023	83,407	(4,308,429)	(18,587,119)	69,671,257	1,034,867	70,706,124
Net profit for the period	-	-	-	-	6,556,936	6,556,936	1,073,274	7,630,210
Other comprehensive income/(loss) for the period	-	-	-	664,057	(19,195)	644,862	216,332	861,194
Total comprehensive income for the period	-	-	-	664,057	6,537,741	7,201,798	1,289,606	8,491,404
Transactions with owners in their capacity as owners:								
Share-based payments	-	6,919	-	-	-	6,919	-	6,919
Contribution from key management personnel/non-controlling interests to the increase in share capital of subsidiary	-	-	-	-	-	-	2,403,846	2,403,846
At 31 December 2014	84,867,375	7,622,942	83,407	(3,644,372)	(12,049,378)	76,879,974	4,728,319	81,608,293

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

This general purpose condensed financial report of Kingsroose Mining Limited (“Kingsroose” or the “Company”) and its controlled entities (the “Group”) for the half year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 10 March 2016.

1. CORPORATE INFORMATION

Kingsroose Mining Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX: KRM).

The nature of the operations and principal activities of the Group are described in the Directors’ Report.

The address of the registered office of the Company is Suite 9, Level 2, 12-14 Thelma Street, West Perth, WA 6005.

The Group’s corporate structure is:

Company	Place of Incorporation	Equity Interest Held	
		As at 31 December 2015 %	As at 31 December 2014 %
MM Gold Pty Ltd	Australia	100	100
Natarang Offshore Pty Ltd	Australia	100	100
PT Natarang Mining (“PTNM”) *	Indonesia	85	85
Kingsroose Tanggamus Pty Ltd	Australia	100	100

* Holder of the Contract of Work for the Way Linggo Project

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES**Basis of preparation**

This general purpose condensed financial report for the half year ended 31 December 2015 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

It is recommended that the half year financial report should be read in conjunction with the annual financial report of Kingsroose Mining Limited as at 30 June 2015 and considered together with any public announcements made by the Company during the half year ended 31 December 2015 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and the ASX listing rules.

Except as disclosed below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

Changes in accounting policies

Since 1 July 2015, the Group has adopted all Accounting Standards and Interpretations mandatory for annual periods beginning on or after 1 July 2015. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group:

- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality*

The Group has not elected to early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

Going concern

This financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

During the period ended 31 December 2015, the Group incurred a net loss after tax of \$2,206 and a net cash outflow from operating activities of \$1,037,038. At 31 December 2015, the Group had cash and cash equivalents of \$1,383,907, net assets of \$88,271,930 and a working capital surplus of \$3,440,138.

The Directors have considered the funding and operational status of the business in arriving at their assessment of going concern and believe that the going concern basis of preparation is appropriate based upon:

- Successful implementation of the mine dewatering plan which includes the commissioning of an additional three 200kw multi-stage pumps during the March quarter which will facilitate an increase in mining productivity and return the operation to profitability;
- The receipt of VAT refunds, materially within expectation, recognised within current receivables of \$5,188,364 at 31 December 2015; and
- The Group's ability to manage the timing of cash flows to meet the obligation of the business as and when they fall due.

3. OPERATING SEGMENTS

Identification of reportable segments

- The Group has identified its operating segments based on internal reports that are reviewed and used by the Board and executive management team (the chief operating decision makers) in assessing performance and determining the allocation of resources.
- The Group has identified that its operating segments are best presented by commodity as the Group's risk and rate of return are affected predominantly by the end product, namely gold and silver. PT Natarang Mining, owner of the Way Linggo Project, is the entity that produces gold and silver.
- Discrete financial information about each of these operating segments is reported to the Board and executive management team on a monthly basis.

Accounting policies

- The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 2 to the annual financial statements.
- Segment profit/(loss) includes foreign exchange movements on intercompany loans and external finance costs that relate directly to segment operations.
- Unallocated corporate costs are non-segmented expenses such as head office expenses and finance costs that do not relate directly to segment operations.
- Income tax expense is calculated based on the segment operating net profit/(loss).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING SEGMENTS (CONTINUED)

	Six months ended 31 December 2015				Six months ended 31 December 2014			
	Gold & Silver	Total Segment	Unallocated Items	Consolidated	Gold & Silver	Total Segment	Unallocated Items	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
External sales - gold	13,385,465	13,385,465	-	13,385,465	14,241,492	14,241,492	-	14,241,492
External sales - silver	419,148	419,148	-	419,148	649,857	649,857	-	649,857
Total segment revenue	13,804,613	13,804,613	-	13,804,613	14,891,349	14,891,349	-	14,891,349
Interest revenue	-	-	175,994	175,994	-	-	108,138	108,138
Total revenue	13,804,613	13,804,613	175,994	13,980,607	14,891,349	14,891,349	108,138	14,999,487
Segment profit/(loss) before income tax	2,308,853	2,308,853	-	2,308,853	12,511,218	12,511,218	-	12,511,218
Interest revenue	-	-	175,994	175,994	-	-	108,138	108,138
Corporate costs	-	-	(1,635,571)	(1,635,571)	-	-	(1,889,125)	(1,889,125)
Finance costs	-	-	(605,861)	(605,861)	-	-	(602,878)	(602,878)
Profit/(Loss) before income tax	2,308,853	2,308,853	(2,065,438)	243,415	12,511,218	12,511,218	(2,383,865)	10,127,353
Income tax expense	(68,187)	(68,187)	(177,434)	(245,621)	(2,319,247)	(2,319,247)	(177,896)	(2,497,143)
Net profit/(loss) for the period	2,240,666	2,240,666	(2,242,872)	(2,206)	10,191,971	10,191,971	(2,561,761)	7,630,210
Depreciation and amortisation	3,643,626	3,643,626	14,659	3,658,285	2,672,911	2,672,911	15,065	2,687,976
	At 31 December 2015				At 30 June 2015			
Segment operating assets	95,855,066	95,855,066	-	95,855,066	91,207,552	91,207,552	-	91,207,552
Unallocated assets	-	-	676,194	676,194	-	-	4,970,750	4,970,750
Deferred tax assets	9,796,320	9,796,320	9,078	9,805,398	9,423,367	9,423,367	-	9,423,367
Total assets	105,651,386	105,651,386	685,272	106,336,658	100,630,919	100,630,919	4,970,750	105,601,669

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND EXPENSES

	31 December 2015	31 December 2014
	\$	\$
(a) Revenue		
Sale of goods		
Gold	13,385,465	14,241,492
Silver	419,148	649,857
Total sales revenue	13,804,613	14,891,349
Other revenue		
Interest	175,994	108,138
Total revenue	13,980,607	14,999,487
(b) Cost of sales		
Mine production costs	11,435,213	9,679,001
Royalties	276,092	297,829
Depreciation	916,666	1,077,490
Amortisation	2,721,890	1,589,621
Inventory movements	(1,852,610)	(1,006,050)
Total cost of sales	13,497,251	11,637,891
(c) Other income		
Gain on disposal of plant and equipment	3,080	2,839
Net gain on foreign exchange	2,938,687	9,661,816
Sundry income	6,055	-
Total other income	2,947,822	9,664,655
(d) Administration expenses		
Corporate costs	2,118,933	2,211,375
Depreciation	19,729	20,865
Share-based payments	380,815	6,919
Total administration expenses	2,519,477	2,239,159
(e) Other expenses		
Sundry expenses	-	29,423
Total other expenses	-	29,423
(f) Finance costs		
Borrowing costs	37,827	11,395
Interest on loans - related parties	415,225	591,483
- other	176,961	-
Finance charges payable under finance leases	23,050	27,438
	653,063	630,316
Unwinding of discount on rehabilitation provision	15,223	-
Total finance costs	668,286	630,316

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. DIVIDENDS PAID AND PROPOSED

No dividends have been paid, declared or recommended by the Company for the half year ended 31 December 2015.

6. CASH AND CASH EQUIVALENTS

For the purpose of the half year consolidated statement of cash flows, cash and cash equivalents comprised of the following:

	31 December 2015	31 December 2014
	\$	\$
Current		
Cash at bank and in hand	1,383,907	4,780,302
Short-term deposits	-	1,300,000
	1,383,907	6,080,302

7. TRADE AND OTHER RECEIVABLES

	31 December 2015	30 June 2015
	\$	\$
Current		
Other receivables (a)	5,188,364	1,554,570
	5,188,364	1,554,570
Non-Current		
Other receivables (a)	1,397,896	4,217,793
Loans to a related party (b)	5,142,001	4,603,652
	6,539,897	8,821,445

- (a) Other receivables consist primarily of VAT recoverable from PTNM's operations that can be recovered between 4 to 24 months.
- (b) Balance comprises USD loans extended to a minority shareholder of PTNM, Mr Herryansjah, to subscribe for new shares in PTNM in order for Mr Herryansjah to retain his 15% interest pursuant to the governing Shareholder Agreement. The loans are unsecured and repayable from 80% of dividends payable by PTNM to Mr Herryansjah. Interest is charged at LIBOR plus 5% per annum. Interest not paid on due date is capitalised and bears interest at the same rate as the loans.

8. INVENTORIES

	31 December 2015	30 June 2015
	\$	\$
Current		
Ore stockpiles at cost	102,287	58,070
Gold in circuit at cost	280,132	7,551
Gold dore and bullion at cost	4,003,802	2,362,700
Consumables and spares at cost	3,103,467	3,328,113
	7,489,688	5,756,434

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INTEREST-BEARING LIABILITIES

	31 December 2015	30 June 2015
	\$	\$
Current		
Finance lease liabilities (a)		
- US\$2 million corporate facility	30,363	286,366
- Other	226,095	234,626
Loans		
- Related parties (b),(d)	3,789,830	4,953,125
- Other (c),(d)	1,539,830	1,953,125
	5,586,118	7,427,242
Non-Current		
Finance lease liabilities (a)		
- Other	137,774	217,299
Loans		
- Related parties (b),(d)	3,368,738	3,302,083
- Other (c),(d)	1,368,738	1,302,083
	4,875,250	4,821,465

- (a) Finance lease liabilities have an average term of 3 years with the option to purchase the assets at the completion of the lease term at a nominal value and are secured by the assets leased.
- (b) Loans from related parties consist of loans from Beaurama Pty Ltd and Great Golden Investment Limited, entities controlled by non-executive Director, Mr J. William Phillips. During the half year ended 31 December 2015, the Company repaid three monthly instalments totalling \$1,274,540. The repayment profile of the loans was restructured during the period, the key terms of the loans at balance date are as follows:

Loan from Beaurama Pty Ltd

	31 December 2015	30 June 2015
Balance	\$4,250,000	\$5,000,000
Interest rate	10.5% per annum, payable monthly in arrears	
Repayment	From April 2016 to August 2017 in seventeen instalments of \$250,000 each. The Company can elect to repay any outstanding funds early.	From July 2015 to February 2017 in twenty instalments of \$250,000 each. The Company can elect to repay any outstanding funds early.
Security	First ranking security with Great Golden Investment Limited and Michael John Andrews over all the issued shares in the Company's Australian subsidiaries that hold the (85%) ownership of the Way Linggo Project.	

Loan from Great Golden Investment Limited

	31 December 2015	30 June 2015
Balance	US\$2,125,000	US\$2,500,000
Interest rate	10% plus 1-month LIBOR plus withholding tax per annum, payable monthly in arrears	
Repayment	From April 2016 to August 2017 in seventeen instalments of US\$125,000 each. The Company can elect to repay any outstanding funds early.	From July 2015 to February 2017 in twenty instalments of US\$125,000 each. The Company can elect to repay any outstanding funds early.
Security	First ranking security with Beaurama Pty Ltd and Michael John Andrews over all the issued shares in the Company's Australian subsidiaries that hold the (85%) ownership of the Way Linggo Project.	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INTEREST-BEARING LIABILITIES (continued)

- (c) Loan – other consists of a loan from Michael John Andrews. During the half year ended 31 December 2015, the Company repaid three monthly instalments totalling \$524,540. The repayment profile of the loan was restructured during the period, the key terms of the loan at balance date are as follows:

	31 December 2015	30 June 2015
Balance	US\$2,125,000	US\$2,500,000
Interest rate	10% plus 1-month LIBOR plus withholding tax per annum, payable monthly in arrears	
Repayment	From April 2016 to August 2017 in seventeen instalments of US\$125,000 each. The Company can elect to repay any outstanding funds early.	From July 2015 to February 2017 in twenty instalments of US\$125,000 each. The Company can elect to repay any outstanding funds early.
Security	First ranking security with Beaurama Pty Ltd and Great Golden Investment Limited over all the issued shares in the Company's Australian subsidiaries that hold the (85%) ownership of the Way Linggo Project.	

- (d) Fair values of the Group's interest-bearing loans are determined by using the discounted cash flow method, applying a discount rate that reflects the Company's borrowing rate at the end of the reporting period. The Group's own performance risk at 31 December 2015 was assessed to be insignificant. The carrying amount and fair value of the Group's current and non-current loans are as follows:

	31 December 2015		30 June 2015	
	Carrying Value \$	Fair Value \$	Carrying Value \$	Fair Value \$
Loans				
- Related parties	7,158,568	7,158,568	8,255,208	8,255,208
- Other	2,908,568	2,908,568	3,255,208	3,255,208
	10,067,136	10,067,136	11,510,416	11,510,416

There are no differences between the fair value and the book value of the liabilities for the current or comparative period. There were no changes during the period in the valuation techniques used by the Group to determine the Level 2 fair values.

10. SHARE-BASED PAYMENTS

On 18 November 2015, 4,800,000 options and 209,446 share performance rights were granted to senior management under the Company's Options and Share Rights Plan. The terms and conditions applicable to the options and share performance rights granted are set out below:

Options

The 4,800,000 options were issued at a price of \$0.26 each. The options vested immediately and have an expiry date of 18 November 2018. The fair value of the options was \$0.07 per option and was estimated on the date of grant using a binomial pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Grant date	18 November 2015
Dividend yield	-
Share price at grant date	\$0.195
Exercise price	\$0.26
Expected volatility	67.1%
Risk-free interest rate	2.1%
Expiration period	3 years
Expiry date	18 November 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**10. SHARE-BASED PAYMENTS (continued)****Share Performance Rights**

The exercise price of the 209,446 share performance rights granted is nil. The number of share performance rights to vest is subject to the satisfaction of performance conditions, along with continued employment with the Company.

The performance condition is determined by reference to the Company's total shareholder return ("TSR") performance compared with the TSR performance of a group of comparable ASX listed gold mining companies ("Peer Group") over the period from 1 July 2015 to 30 June 2018 (the "Performance Period"). The Company's TSR ranking within the Peer Group at the end of the Performance Period determines the number of performance rights that will vest. Share performance rights that do not vest will automatically lapse.

The fair value of the share performance rights was \$0.13 per right and was estimated on the date of grant using a Monte Carlo simulation model with the following assumptions:

Grant date	18 November 2015
Dividend yield	-
Share price at grant date	\$0.195
Exercise price	-
Expected volatility	67.6%
Risk-free interest rate	2.1%
Expected life	3 years

The expense arising from share-based payment transactions recognised for employee services received during the period was as follows:

	31 December 2015	31 December 2014
	\$	\$
Options	355,200	(26,512)
Share performance rights	25,615	33,431
	380,815	6,919

11. COMMITMENTS AND CONTINGENT LIABILITIES

Since the last annual reporting date, there were no significant changes to commitments and contingent liabilities.

12. EVENTS AFTER REPORTING DATE

There are no material subsequent events after the balance date.

13. CHANGE IN COMPOSITION OF THE GROUP

Since the last annual reporting date, there have been no changes in the composition of the Group.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Kingsrose Mining Limited, I state that:

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity for the half year ended 31 December 2015 are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half year ended on that date, and
 - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chairman and Chief Financial Officer as required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



John Morris
Chairman
10 March 2016

Independent review report to the members of Kingsrose Mining Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kingsrose Mining Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kingsrose Mining Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kingsrose Mining Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



D S Lewsen
Partner
10 March 2016